

Fact sheet for acceptors of cheques backed by a guarantee card



The UK Domestic Cheque Guarantee Card Scheme is to be withdrawn on 30th June 2011. This fact sheet answers some of the key questions you may have if you accept guaranteed cheques.

Why has this decision been taken?

The use of guaranteed cheques is in rapid decline and following extensive consultation with businesses and customers, the Payments Council - which is the strategic body for payments in the UK - decided that it would be better if the withdrawal of guaranteed cheques was actively managed to prevent confusion and provide clarity and certainty.

The Payments Council invited all acceptors of cheques to make their views known as part of its wide-ranging consultation. This included key groups such as the Federation of Small Businesses, Forum of Private Business, British Retail Consortium, British Shops and Stores Association and British Cheque Cashers Association.

Following the Payments Council's decision, the banks and building societies who provide cheque guarantee services to consumers and businesses were asked to establish a workable date for closing the Scheme. This has now been set as 30th June 2011.

For more information visit www.paymentscouncil.org.uk

I still accept lots of guaranteed cheques what should I do?

You might decide not to make any immediate change as you can still continue to accept guaranteed cheques but clearly in light of this announcement you will want to start to plan for 30th June 2011.

A number of options exist – and your bank should be happy to discuss the alternatives in more detail.

Key options include:

- If you don't do so already you may decide to start accepting plastic cards. Your bank will be able to discuss how you go about this.
- You may decide you would rather accept cash.

- You might want to explore automated payment methods such as faster payments – these one-off payments can be made if you bank online or phone bank or in some cases they can be made over branch counters. They enable you to accept a payment from a customer on the same day, and in the vast majority of cases within a couple of hours.
- You may choose to continue to accept a cheque without a guarantee (you have certainty on cheque funds at the end of the sixth working day after you've paid in a cheque so it is at this point that it's safe to release goods). The industry-wide cheque clearing timescales known as 2-4-6 provide cheque certainty. For more information visit www.chequechecker.co.uk

Where can I get more information about closure of the Scheme or advice about payment alternatives?

You can speak to your bank or building society.

How will banks and building societies manage the change with their customers – will they re-issue cards without the cheque guarantee functionality?

Over the next two years banks and building societies are likely to do different things - some may remove the cheque guarantee functionality (indicated by the presence of William Shakespeare's logo/hologram) from their cards on renewal. Others will continue to issue cards including this functionality. Neither approach affects the timescale for the closure of the Scheme on 30th June 2011.

When is the last date I will be able to accept a guaranteed cheque?

The last date that you can accept a guaranteed cheque is one that is written on and dated 30th June 2011. There will be no guarantee function if you accept a guaranteed cheque after this date but obviously you will be able to continue to accept cheques.

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When is the last date I can pay in a guaranteed cheque after this date?

You should always pay in cheques as soon as possible.

Will there be any changes to the UK Domestic Cheque Guarantee Card Scheme rules as a result of this decision?

No.

My business encashes cheques and some banks have already started to remove the pages at the back of cheque books where you mark the frequency of guaranteed cheques. If I accept a cheque without marking this page I am breaching the UK Domestic Cheque Guarantee Card Scheme rules so what should I do?

Speak to the bank concerned before accepting the cheque.

Will I still be able to accept cheques after 30th June 2011?

Yes of course – but without the guarantee. There are

industry-wide 2-4-6 timescales for paying in a cheque which provide certainty at the end of the sixth day after paying one in. For more information visit www.chequechecker.org.uk.

Do other countries use guaranteed cheques?

The only country to have a similar Scheme is Ireland, and its use is also on the decline.

Does this decision mean the death of the cheque is more likely?

The long term future of the cheque is currently being reviewed by the Payments Council as part of its commitment within its National Payments Plan. This has involved undertaking a comprehensive consultation with key stakeholders and users of cheques. No decision has been taken yet: if and when it does it will be well publicised.

Should a date be agreed it is likely to be some years off to ensure that there is sufficient time for alternatives to cheques to be widely available to all customers and businesses who accept them.

Key facts

- The use of guaranteed cheques is in rapid decline with volumes down a third in the last year and by 70% in the past five years.
- Last year, of the 1,400 million cheque transactions, just under 7%, or 95 million were supported by a cheque guarantee card; the number is falling rapidly. Four million consumers say they still use guaranteed cheques regularly but in many cases the guarantee function is not an essential part of the transaction.
- Over a quarter of all debit cards do not have cheque guarantee functionality. Over 99% of the 59.9 million cheque guarantee cards still in issue are also either debit or credit cards; the vast majority being debit cards which, of course, provide an alternative and widely-accepted means of payment.
- In 2008, losses totalling £43 million were reported as a result of cheque guarantee card misuse.
- Most major high street retailers no longer accept cheques as a form of payment.
- The average transaction value of a personal cheque is £267. The maximum guarantee limit is £250, with 88% of all cards having a limit of £100 or under.
- In the research conducted as part of the Payments Council review of the Scheme, only a quarter of all businesses said that they had received a guaranteed cheque in the previous six months.

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